

HOUSE BILL REPORT

HB 2332

As Reported by House Committee On:
Finance

Title: An act relating to the levies by school districts.

Brief Description: Concerning the levies by school districts.

Sponsors: Representative Hunter.

Brief History:

Committee Activity:

Finance: 1/15/08, 1/18/08 [DPS].

Brief Summary of Substitute Bill

- Authorizes school districts to ask for voter approval of additional maintenance and operation (M&O) levies to the extent that statutory changes increase levy lid capacity.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, McIntire and Santos.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; and Roach.

Staff: Rick Peterson (786-7150).

Background:

The State Constitution limits the sum of property tax rates to a maximum of 1 percent of true and fair value, or \$10 per \$1,000 of market value. Levies that are subject to the 1 percent rate limitation are known as "regular" levies, and there is no constitutional voting requirement for regular levies. The Constitution does provide a procedure for voter approval for tax rates that exceed the 1 percent limit. These taxes are called "excess" levies. The most common excess levies are maintenance and operation (M&O) levies for school districts and bond retirement

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levies. The Constitution provides that excess levies for school districts must obtain a 50 percent majority vote. Once a school district issues a M&O levy, no other levy may be issued until the M&O levy expires.

In 1977 when the state assumed additional responsibility for funding schools, the Legislature limited school district M&O levy authority by enacting the levy lid law. This law determines the maximum amounts school districts can collect through local M&O levies. The original 1977 law, which took effect in 1979, sought to limit levy revenue to 10 percent of a school district's state basic education allocation. It also contained a grandfather clause which permitted districts that historically relied heavily on excess levies to exceed the 10 percent limit.

Most districts may ask the voters to approve an amount equal to 24 percent of the district's levy base. There are 91 school districts that are grandfathered at higher percentages.

A district's levy base includes most state and federal revenues received by the district in the prior school year. The levy lid formula increases the base by multiplying the district's state and federal revenues by the percentage change in per student state expenditures between the prior and current school years, divided by 55 percent.

Over time the Legislature has modified the levy lid formula to increase the lid amount, either by increasing the percentage rate (i.e., the 24 percent rate) or the levy base. In 2004 there was an adjustment to the levy base to address the suspension of the provisions of Initiatives 728 and 732, which increased the base for 2005 and 2006 by almost 5 percent.

School districts for which M&O levies are approved immediately preceding legislative modifications to the levy lid formula do not receive benefit of statutory changes until the current levy expires and a new levy is approved.

Summary of Substitute Bill:

School districts with approved levies may ask voters to approve additional M&O levies to the extent the Legislature increases statutory capacity under the levy lid formula.

Substitute Bill Compared to Original Bill:

The substitute bill updates the underlying statute to reflect changes made by the 2007 Legislature.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: (In support) More and more districts are running three and four year levies. This reduces election costs and provides districts with funding stability. However, districts cannot fully anticipate changes in state funding that change the levy caps. The bill gives districts the option to go back to voters to make adjustments. School districts need funding to educate children to prepare them for college and jobs in Washington.

(Opposed) None.

Persons Testifying: Bill Freund, Washington Education Association; Jennifer Priddy, Office of the Superintendent of Public Instruction; and Charlie Brown, Issaquah and Lake Washington School Districts.

Persons Signed In To Testify But Not Testifying: None.